

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION  
CITY OF SCOTTSDALE  
PINNACLE CONFERENCE ROOM AT HUMAN RESOURCES  
7575 EAST MAIN STREET  
SCOTTSDALE, ARIZONA 85251  
AUGUST 18, 2009  
APPROVED MINUTES**

**PRESENT:** John Holdsworth, Chairman  
Mike Surguine, Vice-Chairman  
Kate Birchler, Commissioner  
Sam Fox, Commissioner (departed at 9:26 a.m.)  
David Richard, Commissioner

**ABSENT:** Leon Young, Commissioner

**STAFF:** Kathy O'Connor, Tourism Development Manager  
Steve Geiogamah, Tourism Development Coordinator  
Scott McCarty, Financial Services Managing Executive Director

**OTHERS PRESENT FOR ALL OR PART OF THE MEETING:**

Wayne Ecton, Council Member  
Rachel Sacco, SCVB  
Brent DeRaad, SCVB  
Tim McGrane, Scottsdale Fashion Week  
Judy Yates, Scottsdale Fashion Week  
Taryl Pearson, Scottsdale Arabian Horse Show  
Janice Wight, Scottsdale Arabian Horse Show  
Taffy Wolf, Sun Circuit Quarter Horse  
Patrick Van Bosche, Barrett Jackson Collector Car Events

**1. Call to Order/Roll Call**

Chairman Holdsworth called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:09 a.m. A formal roll call confirmed members present as listed above, noting the presence of a quorum.

**2. Approval of Minutes**

a. Special Meeting - July 13, 2009

**COMMISSIONER BIRCHLER MOVED TO APPROVE THE MINUTES OF THE JULY 13, 2009 SPECIAL MEETING. VICE CHAIRMAN SURGUINE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).**

b. Regular Meeting - July 21, 2009

**COMMISSIONER BIRCHLER MOVED TO APPROVE THE MINUTES OF THE JULY 21, 2009 REGULAR MEETING. VICE CHAIRMAN SURGUINE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).**

**3. Manager's Report**

a. Staff bed-tax collection report

Ms. O'Connor reported that June activity was about 12% behind last year. She explained that a payment arrived in June that should have been made in May. Had that not been the case, the actual June activity receipts would have been down closer to 19%.

b. Smith Travel Report

The June average rate was down 13%, while occupancy was down 13.4%, making RevPar down almost 25%. The year-to-date occupancy was down 13.2%, while the rate was down 19.7%, making RevPar down about 30%. March saw the lowest monthly occupancy, but also the second highest average rate.

Chairman Holdsworth noted signs that IBT business is coming back, but that the group markets are still heavily impacted. Commissioner Richard felt that group market occupancy would begin to stabilize in the fall, while the average rate would continue to be affected. He does not see a big rebound in 2010. Vice Chairman Surguine said he has seen increased inquiry activity, and senses that the worst has come in terms of occupancy. The rate will remain down for a while longer. Commissioner Richard said the rebound should come in 2011 as larger groups begin to return. Most of the resorts are positioning themselves for the rebound then.

Commissioner Birchler said retail continues to be cautiously optimistic. The opening of Barney's and the new retail at Scottsdale Fashion Square should help. Commissioner Fox said the restaurant sector sees bargain hunting as the new normal. Everyone is looking for deals and discounts, and people are spending less money. August activity was good. The Olympics negatively impacted last year's August numbers.

c. Noise Ordinance Update

Ms. O'Connor summarized a memo from Raun Keagy on the noise ordinance. The Downtown Neighborhood Issues Management Committee has been directed to draft a noise ordinance and present it in the fall. The Commission requested that Mr. Keagy be invited to make a presentation at the September TDC meeting on any further developments.

Ms. O'Connor noted that Vice Chairman Surguine and Commissioner Richard's terms would soon expire. Both are eligible for reappointment. Commissioner Kelly's position still needs to be filled, and applications are being accepted until September 8. The City ordinance says that an hotelier must fill Tom Kelly's vacant seat.

**4. FY09/10 Budget Discussion & TDC Budget Sub-Committee Recommendations**

Chairman Holdsworth said the situation regarding income from the bed tax remains serious, and would require the Commission to revisit the entire Tourism budget. Mr. McCarty said the projected shortfall would likely range from \$400,000 to \$1 million. Chairman Holdsworth felt the situation warranted reconvening the Budget Sub-Committee to address the problem. One option would be to further reduce the CVB budget, but even this would not free up enough money to cover the remaining activities. The Sub-Committee would have to consider all aspects of the program and identify where additional cuts could come from. The City Council is meeting with the Budget Review Commission on September 29. Chairman Holdsworth charged the Sub-Committee with formulating a range of potential reductions by September 15 to enable the TDC to make a recommendation to City Council. Serious impacts on the entire program will be unavoidable.

Mr. McCarty said Tourism is one area of the local economy that is not recovering. Staff would like to work with the Commission to identify potential solutions. The CVB budget represents a significant portion of the Tourism budget and has to be included in the discussion. There cannot be just one solution, however. Possible solutions could be to ask Council for General Fund money, reduce expenditures, or move some of the DDC expenses to the CIP program. The Commission is expected to offer Council several options, and should address funding for the Soleri Bridge.

Commissioner Richard requested material from the TDC meetings that covered the budget prioritization exercise and the discussions on the Soleri Bridge. Chairman Holdsworth said the minutes covering discussions on the CVB budget reductions would also be useful. This round of cuts will likely have a severe impact. Ms. O'Connor said Tourism is in an unprecedented situation this time. Even after 9/11, the General Fund was in a position to assist, but that might not be the case this time. The Sub-Committee agreed to meet to come up with a recommendation by the next Commission meeting on September 15.

Councilman Ecton said the Commission should present Council with another recommendation on the Soleri Bridge. To defer problems to Council would force Council to consider laying off staff, and reducing salaries and benefits. Council decided not to use some of the available CIP money, because it will not be needed for a while. The Commission needs to emphasize that a reduction in tourism promotion will result in less revenue for the City later on.

**5. FY09/10 Matching Event Advertising Funding (MEAF)**

Mr. Geiogamah noted that the Event Sub-Committee recommended approval of \$100,000 toward the MEAF program last month. Staff has also recommended some additional options for the Commission to consider that would streamline the MEAF process.

Based on the decrease in the overall MEAF budget, Staff recommends capping the total amount per event at \$11,500. During the May TDC meeting, Staff proposed eliminating the TDC Event Sub-Committee review, and eliminating the presentation aspect for

events that had received funding the prior year. Events that have not previously received funding could make presentations on September 15, at the same meeting the TDC uses to formulate a recommendation to Council.

Chairman Holdsworth agreed that applications should be made available on August 19. He proposed deferring a recommendation on the maximum amount an event can apply for until Council and the Budget Commission have provided the TDC with more direction. It would be impossible to commit funds on September 15 without knowing whether any money will be available. Mr. McCarty said Council is expected to provide direction to Staff on September 29, which would allow the TDC to address this item in October.

Chairman Holdsworth invited public commentary.

Ms. Wight said it would be a bad decision for Scottsdale to drop advertising when times are tough.

In response to an inquiry from Mr. Geiogamah, Chairman Holdsworth said the applications should go out on August 19 without any cap specified. The events should be notified that the Commission is addressing the City's ability to fund the Tourism program with a view of establishing a finite number at the October Commission meeting. The City should not create expectations that cannot be met. Commissioner Richard suggested adding language that emphasizes that the allocation would be based on the available funding level. Commissioner Birchler advocated for keeping the Event Sub-Committee review in place, given that this issue continues to be an important one for the TDC.

The TDC agreed that the Sub-Committee would consist of Commissioners Birchler, Richard, and Surguine. Ms. Sacco inquired whether Brent DeRaad would also fill a seat. Ms. O'Connor responded that Council would have to approve any non-Commissioner that participates as a Sub-Committee Member, but that Mr. DeRaad could be invited as a guest to provide input.

Chairman Holdsworth found it unlikely that the General Fund would be the sole solution. If the CVB budget were cut any further, they would face layoffs, and there would be a reduction in the programs that produce revenue for the City.

## **6. Proposed Competitor Group 2010 P.F. Chang's Rock 'n' Roll Marathon Agreement**

Mr. DeRaad noted that a one-year marathon agreement with the Competitor Group has been proposed for the CVB. The City just concluded a three-year agreement where the annual investment has been \$90,000 plus in-kind services for about 5.5 miles of the race route. Because of the current economic circumstances, the Competitor Group felt more comfortable making a one-year agreement. Along with lowering the investment from \$90,000 to \$75,000 this year. Competitor Group agreed with those proposals.

Mr. DeRaad said the event has generated about 6,000 room nights annually. The event will be held on the M.L.K. weekend, which allows participants to stay an extra day. The CVB is running a Spa Monday promotion with participating hotels in conjunction with that weekend. P.F. Chang's has agreed to continue its title sponsorship. Tempe is in the

midst of a four-year deal. They are paying a total of \$750,000 plus in-kind services. Phoenix has not signed an agreement yet. They are paying \$50,000, along with in-kind services to cover 25 miles of the route, which is a major investment. The Phoenix CVB is paying \$25,000 to cover the rental cost of the Phoenix Convention Center utilized by Competitor Group for the race expo.

Scottsdale has tried to limit the race's impact on the community, but since neither the start nor the finish are within the city, it limits the potential of increasing room nights. With room rates falling, there may be opportunities to attract participants who may have wanted to stay in Scottsdale, but could not.

Ms. O'Connor added that Scottsdale's in-kind contribution is roughly \$56,000, which has been budgeted. The contract amount was part of the budget but not part of the CVB contract approval because no agreement had existed. This will require that Council amend the CVB's current contract. Chairman Holdsworth inquired whether the contract would have to be approved if the CVB were not the contracting entity. Mr. McCarty responded that it would still require Council approval because it exceeds \$25,000.

In response to Vice Chairman Surguine, Mr. DeRaad said the contract would not have to be finalized until November or December, but Competitor Group has already begun moving ahead with their promotional materials, and Scottsdale is part of that. The benefits that Scottsdale would receive are already being put in place. Vice Chairman Surguine said marathoners are not deterred by the economy. This event benefits Scottsdale especially, because it occurs at a good time of the year. Few places can hold a marathon in January. The television coverage will spotlight the Valley's winter weather. This event should not be shortchanged.

Chairman Holdsworth inquired about the most appropriate way to fund this contract. Mr. McCarty suggested amending the existing CVB contract, since they are the primary contact on behalf of the City. Chairman Holdsworth requested that the Budget Sub-Committee address this proposal.

## **7. Scottsdale Fashion Week Update**

Mr. McGrane provided an overview of this year's Scottsdale Fashion Week. The event will be held November 5, 6 and 7, with Friday and Saturday being the two evening fashion events. The goal this year is to increase the event's focus and market it to a slightly different demographic. The entire experience should make a strong impact that encourages visitors to return. One change is the elimination of afternoon shows to focus the intensity on the evening events. Saturday event is presented by Scottsdale Fashion Square with a highlight on Barney's. Organizers are in conversation with international designers to bring in new elements and increase media exposure.

The Designer of the Year competition is being held in partnership with the Scottsdale Museum of Contemporary Art. Judging will occur in three stages. A panel of experts will choose the top ten designers, and the public will narrow it down to four finalists through online voting. The panel will reconvene to choose the winning designer from among the finalists. The winning designer will be announced in advance and have their own event at Fashion Week. These measures are designed to help increase the event's exposure.

A model search will be done in conjunction with the grand opening weekend at Fashion Square. Wearable Art Walk is an event that will involve the Scottsdale Gallery Association. A passport program is designed to encourage participants to stop at each gallery. One passport winner will receive a VIP weekend package. Organizers are working with hotels through the CVB's Travelocity program to offer a preferred ticket package to anyone who is interested in considering area hotels.

Tickets are priced lower this year to make them more attractive to guests in light of the economy. General admission tickets will be \$25. A \$200 ticket allows people to visit all the shows in a given night. Fashion Week is working with four Valley charities, Make-A-Wish Foundation, Childhelp USA, Cystic Fibrosis Foundation, and Fresh Start Women's Foundation. The event organizers have been very pleased with the support they have been getting from the partners and the community.

Commissioner Fox inquired about public access on Marshall Way. Mr. McGrane described the efforts organizers are taking to ensure that non-event participants have sidewalk access in the area. Commissioner Fox encouraged them to consider how the box office and valet service would impact Nordstrom's, Borders and the Waterfront area.

Ms. O'Connor inquired about the shift in the target market and how it would impact the event's ability to generate room nights. Mr. McGrane responded that the primary demographic is women who live in the Valley, and who support the types of stores and charities that are involved. The event is also working with Azcentral.com and the CVB to increase outreach beyond the state.

## **8. Desert Discovery Center Feasibility Study - Phase Two Update**

Vice Chairman Surguine summarized the work program outline that has been recommended by the Sub-Committee. The process has gone as far as it can without requiring more funding. The Sub-Committee discussed how to acquire the \$500,000 that is necessary for Phase Two of the Feasibility Study. This funding will cover planning and programming the facility, market testing, refinement, preliminary architectural design, preliminary cost estimates, performance criteria, and a business and marketing plan.

Mr. McCarty said Staff is pursuing new voter authorized bond issue for capital improvement programs throughout the City. The voters approved the last bond in 2000. The DDC is a project that should be considered for this bond authorization. Some of the Phase Two work program would be necessary to get this project included in the bond proposal. Voters will need renderings and information regarding the size and scope of the project so they can make informed decisions. Timing is crucial. The goal is to get Council direction by the end of September to establish a work plan for the next year. Council will have until July 1, 2010 to decide whether to put it on the November 2010 ballot.

Chairman Holdsworth inquired about the total magnitude of the bond. Mr. McCarty said he does not have that answer yet. Ms. Guillory added that the last bond was for \$357 million. There were nine initiatives in that election, and seven of them passed. Mr. McCarty said Staff would ask Council to consider a smaller, more targeted bond issue this time, which would get product in three to five years.

Chairman Holdsworth inquired whether part of the \$500,000 could come out of existing CIP money. Vice Chair Surguine responded that in order to get materials by July 1, the Sub-Committee felt that the funding should come fully out of the General Government CIP Fund. Chairman Holdsworth inquired whether the physical infrastructure could be built with public dollars, while the ongoing operations could be a public/private partnership. Mr. McCarty said those issues would not be restricted by the bond. The bond would give the City the authorization to spend a maximum amount of money, but would not require that it actually have to be spent. Ms. O'Connor noted that the Sub-Committee also discussed other alternatives to the CIP Fund.

Chairman Holdsworth felt that it would be difficult to bring private/public factors to bear in the short term. Commissioner Richard said the Sub-Committee felt strongly that for expediency reasons, all \$500,000 should come out of the CIP Fund. Ms. O'Connor said the Staff report would mention other potential sources, even if the Sub-Committee made the decision to pursue just one of them.

Ms. O'Connor noted that each Commission would have to approve the Sub-Committee's recommendation. Chairman Holdsworth said he was in favor of moving this along quickly. The Council expects something meaningful by the end of the year.

**COMMISSIONER BIRCHLER MOVED TO RECOMMEND THAT COUNCIL FUND PHASE TWO OF THE DDC FEASIBILITY STUDY FROM THE GENERAL GOVERNMENT CIP FUND. VICE CHAIRMAN SURGUINE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMISSIONER FOX WAS NOT PRESENT.**

Councilman Ecton felt that the recommendation was the right way to go.

## **9. Identification of Future Agenda Items**

Ms. O'Connor reconfirmed that upcoming agenda items would include a noise ordinance update, year-end reports, and the visioning process. Chairman Holdsworth felt that the visioning discussion should be pushed off a bit longer, since it would be difficult to envision anything without a clear methodology. Commissioner Birchler requested that MEAF be agendized.

## **10. Public Comment**

There were no public comments.

## **11. Adjournment**

With no further business before the Commission, the meeting adjourned at 9:51 a.m.

Respectfully submitted,

A/V Tronics, Inc. DBA AVTranz.